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SUBJECT: CPA Iraqi Mobile Telecom Tender Conference

11. (U) SUMMARY: CPA telecommunications officials held a conference in Amman July 31 for prospective bidders on licenses to provide mobile telecommunication services in Iraq, attracting over 400 participants. During the conference, attendees expressed frustration over the short bid submission period, a five percent cap on government ownership for bidders, a perceived favoritism to GSM technology, and a lack of clarity regarding selection criteria. Responding to these concerns, CPA officials later extended the deadline and reissued a revised tender on August 3. END SUMMARY

A CONSULTATIVE CONFERENCE

12. (U) CPA telecom officials David Leech, Jim Davies, William Lane, and Dr. Daniel Sudnick, along with Iraqi Telecommunications and Post Company executives Abdul Latif, Walid Jallo, Luma Badir and Shakir Abdullah conducted an Iraqi Mobile Telecommunications Tender Conference in Amman on July 31. The conference attracted over 400 participants from global telecommunications and consulting firms and featured presentations on the future of communications in Iraq, the Iraqi Telecommunications and Posts Company, and the bid submission process. From the onset of the conference, CPA officials declared their intention to use the forum for an exchange of ideas between the private sector and the CPA telecommunications team regarding the mobile tender, and future decisions regarding the Iraqi telecommunications arena.

13. (U) According to the tender, three licenses are to be awarded, one each in CPA-designated north, south, and central regions, the latter including Baghdad. The licenses are for two years, with winning bidders required to deposit a \$30 million letter of credit with the CPA pending the achievement of service benchmarks six months after the contract is awarded. Successful bidders also must pay a license fee ranging from \$ 1.33 to \$2.08 million USD depend on their region to fund a future regulatory agency. Successful bidders have 20 days following the award of the contract to begin installing their infrastructure.

14. (U) However, the most controversial part of the tender was a clause which restricted bidders to those with no larger than five percent ownership by foreign governments, leading to concerns on the part of conference participants that almost all Arab telecommunications firms would be excluded from the bidding. CPA officials explained that the Iraqi telecommunications officials wanted to avoid substantial foreign ownership of Iraqi infrastructure, but agreed to take attendee comments into account when considering possible revisions of the tender document, an examination they pledged to conduct.

ROOM FOR CDMA?

15. (SBU) Several CDMA technology providers expressed to Econoff their frustration with the relegation of CDMA to the 800 MHz block of the spectrum, stressing that operation in this band would be secondary to military use and would cause degradation in quality of service. CPA officials explained that they were restricted by previous ITU agreements and were unable to free up additional spectrum. However, they stated that CDMA technology could provide a quality mobile service even with the restrictions and encouraged CDMA providers to compete. (Note: On the margins of the conference, CPA officials told EconOff that they did not expect any CDMA bids. End Note)

RULES OF THE GAME

16. (SBU) During a Q and A session, potential bidders asked CPA officials to provide quantitative selection criteria for the tender in order to know how to structure their bids in a way that increases their chances of success. Leech said that decision-making criteria included area coverage, subscriber capacity, speed of rollout, roaming capability and the cost to end user, but would not specify how each of these areas would be weighed. He said a five-person selection committee would examine bids and favor those that

took into account the social and cultural needs of the Iraqi people. While the factors that comprise such needs were not specified, they implied that the inclusion of Iraqi companies and employees into bidding consortia would increase the chances of winning the tender. (Note: The CEO of Jordanian mobile company Fastlink, Mr. Mohammed Sager, told Econoff that many of his Arab counterparts assumed that the contracts would be given to Vodaphone, Orascom and one unspecified American company. Furthermore, he added that his consortium would submit a bid, not because they felt they would win, but as a political statement that tests the transparency of the CPA decision-making process. End Note)

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IRAQI TELECOM PLAYERS UNITE
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17. (U) A group of 60 Iraqis announced the formation of an Iraq Telecommunication Corporation (ITC), which they hope to operate as a public telephone company. The ITC expressed its desire to participate in tender selection process. While the composition and long-term intention of the group is unknown, the CPA warmly received the group as the type of private sector initiative that is needed in Iraq.

THE CPA LISTENS

18. (U) On August 3, the CPA reissued a revised tender incorporating many of the suggestions made during the conference. Changes included an increased cap on foreign government ownership to ten percent, further clarification on performance reviews, timeline and requirements for obtaining a national license, removal of required experience in multiple countries with at least five previous contracts, inclusion of a bond payments once license is awarded, confidentiality of bids, termination rates for fixed-line calls, regional license fees per region, and evaluation criteria. The CPA also extended the deadline for submission by one week until August 21, 2003.

COMMENT

19. (SBU) Citing prohibitive foreign ownership caps, the two-year license term, and the choice of the 800MHz spectrum status, many potential bidders claimed that the outcome of the tender process was predetermined. Although participants were encouraged by the CPA's willingness to accommodate private sector concerns, many still expressed skepticism that substantial changes would be made. At any rate, the Iraqi mobile telecommunications license tender marks the beginning of what will be a long, contentious, and occasionally difficult process to rebuild Iraq's infrastructure.

HALE